

• General Manager's February Activity Report

Summary

- Review of District Activities
- Colorado River
- CALFED/Bay-Delta Matters
- Legislative and Community Outreach

Detailed Report

The following details the activities for the Office of the General Manager for the period following the February 14, 2006 Board meeting:

Review of District Activities

The District's activities as of February 28, 2006 are briefly summarized in [Attachment 1](#). This summary reviews the status of the District's core business in terms of distribution and storage, Colorado River Aqueduct deliveries, State Water Project deliveries, demands, water quality and the Capital Investment Program. Metropolitan has delivered sufficient water supplies to meet all firm, replenishment and agricultural demands and has achieved full compliance with drinking water quality standards. [Attachment 2](#) summarizes the District's financial activities for the month of January.

Colorado River

Six Agency Committee Funding Action – Consistent with the recent conceptual agreement on river operations among the Colorado River Basin states, California through its Colorado River Board/Six Agency Committee agreed to share the cost of extending cloud seeding operations in the San Juan Mountains near Durango, Colorado. The conceptual agreement calls for the Basin States to pursue supply augmentation through such means as weather modification and vegetation management. This program will extend existing cloud seeding operations through the remainder of the winter and contains an evaluation component to document the additional runoff in the Colorado River basin. Total costs would be approximately \$52,000 with California's share at \$15,000.

Revised Six Agency Agreement – Metropolitan has executed a revised cost sharing agreement for the Colorado River Board/Six Agency Committee. Metropolitan's board authorized this action at its July 2005 meeting. Historically, Metropolitan's share had been 44 percent; under this five-year agreement Metropolitan's share is 32 percent. In a related action, Metropolitan executed the Colorado River Joint Powers Authority (JPA) Agreement. This JPA replaces the Colorado River Association and will perform the same function of informing elected decision makers and others on Colorado River resources issues. As a governmental entity, the JPA should have enhanced access to elected decision makers.

Development of Lake Mead Pilot Storage Program – A component of the February 3 Basin states' conceptual agreement to implement shortage guidelines and better manage the Colorado River system to help avoid shortages includes development of a Lake Mead pilot storage program in 2006 and 2007. On February 22, Metropolitan staff met with staff from the U.S. Bureau of Reclamation (Reclamation) to outline the process for developing such a pilot program in the next few months. Reclamation agreed to develop the required NEPA compliance documents, while Metropolitan will prepare the related CEQA documents. The agreement between Reclamation and Metropolitan would need Board approval before it could be implemented. Under the proposal, Metropolitan would be able to store up to 400,000 acre-feet of water in Lake Mead over the next two years. Water could not be recovered from Lake Mead until after Reclamation implements the Record of Decision for the overall seven states agreement, expected in late 2007.

Date of Report: February 28, 2006

Board Report (General Manager's February Activity Report)

Presentation to Palo Verde Economic Conference – Metropolitan staff member Bill Hasencamp was the guest speaker at the Palo Verde Community Outlook Conference held in Blythe on March 2. The conference, organized by the Blythe Area Chamber of Commerce, is held each year to provide community leaders an overview of activities of economic interest to the Palo Verde Valley. Mr. Hasencamp provided an overview of the recent Basin states' Agreement and Metropolitan's outlook for managing its Colorado River supplies in the future.

CALFED/Bay-Delta Matters

South Delta Improvements Program – Metropolitan's participation in the activities of the South Delta Improvements Program included:

- Coordinated with the State Water Contractors (SWC) and submitted technical comments to the Department of Water Resources (DWR) and Reclamation for their Draft South Delta Improvements Program Environmental Impact Report/Statement (EIR/S.) The SWC reviewed the EIR/S and have found it to provide a good description of the project and its potential environmental impacts.
- Continued collaborative efforts with the South Delta Water Agency in combined flow and salinity management issues related to the South Delta Improvements Program and the San Joaquin River.
- Participated in negotiations related to potential water quality impacts to Contra Costa Water District under the South Delta Improvements Program.

Bay-Delta Outreach Activities – A final effort was made to obtain comments on the South Delta Improvements Program. Metropolitan coordinated the submittal of over 30 letters of support from agencies, businesses, and other groups within its service area. In addition, Metropolitan's outreach resulted in supporting testimony by 18 speakers at the public hearing in Los Angeles, three times the number in opposition. Also, Metropolitan staff has provided presentations on levee vulnerability and options for addressing the problem at the request of several organizations, including the Southern California Water Committee.

Levees Program/Delta Risk Management Study – DWR, along with Metropolitan and other stakeholders, are actively participating in the development of a Delta Risk Management Strategy to address management strategies to minimize threat of and consequences of levee failures in the Delta, and to prioritize and direct funding to minimize water quality/water supply threat to export water supplies. Metropolitan was appointed as a member of a Steering Committee to give guidance to DWR in development of this plan. Metropolitan staff is also helping to guide development of shorter-term emergency preparedness strategies to assure freshwater delivery to export pumps and minimize salinity intrusion in the event of major levee failures; and long-term strategies to modify land management practices, minimize subsidence and improve levees at islands in the western and central Delta for more effective emergency response.

Legislative and Community Outreach

Sacramento

The future of the CALFED program is anticipated to be a key legislative issue this year. The Administration is expected to develop language to essentially eliminate the California Bay/Delta Authority in favor of shifting the staff of the CALFED program to the Resources Agency, establishing a policy council comprised of key state and federal entities and shifting some oversight responsibilities to the California Water Commission. Metropolitan staff will continue to engage in relevant meetings and hearings regarding the revamping of CALFED implementation.

Over the past several weeks, relevant policy committees conducted oversight hearings to review the various elements of the Governor's infrastructure proposal. With respect to the water component of the financing proposal, the Senate Natural Resources and Water Committee held several hearings focused on proposed bond-funded state water investments, bond-funded integrated regional water management plans and the highly controversial "capacity charges" on retail water customers to fund a "water resources investment fund."

Metropolitan staff continues to monitor infrastructure-related developments and will work to develop information for the upcoming March 7 board workshop on infrastructure financing policy principles.

Board Report (General Manager's February Activity Report)

In addition to infrastructure financing, other legislators are heavily engaging in flood control issues via legislation including Assembly Water, Parks and Wildlife Committee Chair Lois Wolk (D-Davis). Wolk's measure, AB 1899, would require proof of flood protection adequacy as a condition of approval of land development. Additionally, Assemblymember Dave Jones (D-Sacramento) is pursuing legislation to mandate flood insurance for homeowners living in floodplains with less than 200-year protection.

Given the Governor's veto of SB 820 (Kuehl) – a wide-ranging bill which would have enhanced surface water and groundwater use reporting in the state - Senate Natural Resources and Water Committee staff continue to consider follow-up legislation pertaining to water use and water planning. In large part, committee staff is focusing on potential improvements to state law pertaining to urban water management plans (UWMPs).

On a related note, the Long Beach Water Department is sponsoring SB 1242 by Sen. Alan Lowenthal (D-Long Beach), which seeks to streamline the preparation of future UWMPs. Metropolitan staff continues to work with Long Beach and other member agencies to discuss the bill's current and potential language.

Washington, D.C.

Congress actively began its session the week of February 6, with Congressman John Boehner (R-Ohio) as the newly elected Majority Leader of House. This will likely be a short legislative year due to fall elections. Among the issues to be discussed this session is the Water Resources Development Act, which passed the House last year. The Senate version remains pending. A lengthy conference period is anticipated, with major add-ons for the Louisiana Coastal Estuary Restoration and upgrades for New Orleans Levee system. It is also expected that Northern California Delta Levee system will be added on in conference.

Regional

On February 9, staff conducted a quarterly meeting with 15 member and retail agency representatives. The focus of the meeting in addition to program and event networking was to present and discuss the new Education Strategic Plan to the members and to distribute the complete narrative document for their review and input over the next few weeks. Additionally, the San Diego County Water Authority was the featured agency presenting a new history collaboration that integrates water, and their new assembly program, RazzleBamBoom.

On February 28, staff presented the overview of the new Strategic Plan to the Education and Outreach Committee. They also distributed to the committee, all other directors, member agency managers and education coordinators, the narrative version for their review and feedback during the month of March. The plan will set the overall direction and course for Metropolitan's education programs for the next three to five years. Staff also met to allocate various segments of the plan's further development to individual staff persons.



Review of District Activities February 28, 2006

Attachment 1

WATER

Actions

- CRA – Continue with a three-pump flow.
- Blends – Maintained a 60 percent blend at Weymouth and Diemer and 55 percent at Skinner.

Distribution and Storage

	Current Storage	EOM Forecast
Lake Mathews:	139,300	138,200
Lake Skinner:	38,900	34,000
DVL	801,600	804,000

- Deliveries to the DWCV Advance Delivery Account at Whitewater and Mission Creek are off due to higher than normal February demands.
- All replenishment, including SWP water, CRW and blends of the two, remain available pending system capacity. In-lieu replenishment in the Central Pool is scheduled to shut off by February 27, 2006, in preparation for the Sepulveda Feeder/Jensen shutdown.
- The following replenishment and conjunctive use deliveries continue.

	Agency	Connection	CFS
Replenishment			
Direct	Foothill	FM-01 (injection)	2
	Inland Empire	CB-11/13/14/15/59	65
	Central Basin	CENB-28	75
		CENB-48	100
	USGMWD	USG-SGP	250
In-lieu	Eastern MWD	EM-14/19	45
	Long Beach	LB-08	40
	Orange County	Various	75
Conjunctive Use			
In-lieu	Foothill	FM-01	2
	Calleguas	CA-02	9
	Inland Empire	CB-12/16	35
	MWDOC	CM-8/11/OC-44B	10

Shutdowns

- The Skinner filtration plant will begin a seven-day shutdown on February 26 to connect the new Module 7 influent pipeline to the Skinner plant No. 2 influent pipeline. Skinner Plant 1 will remain in full operation.
- The Sepulveda Feeder will begin a nine-day scheduled shutdown on February 27 to perform critical carbon-fiber repairs on the pre-stressed concrete pipe.
- The following major shutdowns are scheduled for March:

March 5 – 20	San Diego Pipeline No. 3
March 6 – 12	East Orange County Feeder No. 1
March 12 – 27	Lake Skinner Outlet Conduit
March 13 – 17	Diemer Treatment Plant
March 25 – 31	Lakeview Pipeline

CRA

- CY 2006 gross diversions to date are 75 TAF, or 12 percent of the approved gross diversion of 652 TAF.

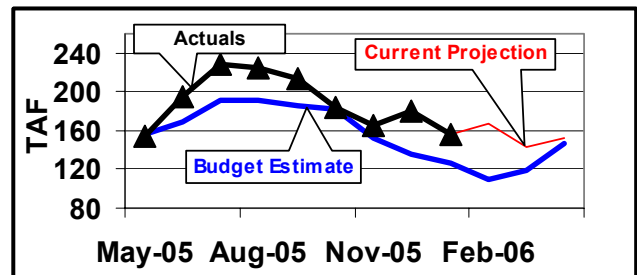
SWP

- Metropolitan's SWP allocation remains at 70 percent, or 1.3 MAF. With the addition of water from Coachella Valley WD and Desert WA, the total amount of SWP Table A water available to Metropolitan is 1.45 MAF.
- Metropolitan is currently taking 2,700 cfs of Article 21 interruptible water, which will be available through March 1. Article 21 water is available due to wet conditions and high storage levels on the SWP.

Demand (Cash Year)

2,163,146 AF	Current Projection
1,865,732 AF	Budget Projection
297,414 AF	Difference

WSO's current trend sales projection for CY 2006 is 2.23 MAF.



Water Quality

	TDS (mg/L) Goal: 500	THMs (µg/L)	Planned Blend (% SPW)
Weymouth:	410	38	60
Diemer:	434	42	60
Skinner:	456	47	55

- All member agency THM sample sites currently are below our RAA goal of <64 µg/L. The TDS running annual average (RAA) remains below MWD's goal of 500 mg/L, except at the Skinner Plant, with an RAA of 515 mg/L.

POWER

- Generation at DVL is currently one unit. DVL generation will be shutdown today to reduce flows from the San Diego Canal into Lake Skinner.

CAPITAL INVESTMENT PLAN

- 28 construction contracts and 5 related procurement contracts are ongoing, eight of which are over 90 percent complete. The total bid amount of all contracts in progress is nearly \$825 million.
- Jensen and Skinner Water Treatment Plants and several feeders were shut down to perform repair and rehabilitation work as well as tie-ins for new facilities. Coordination of multiple contracts at the Skinner plant during the shutdown, which took place during unseasonably warm weather, was outstanding, and the work was completed 3 days ahead of schedule.

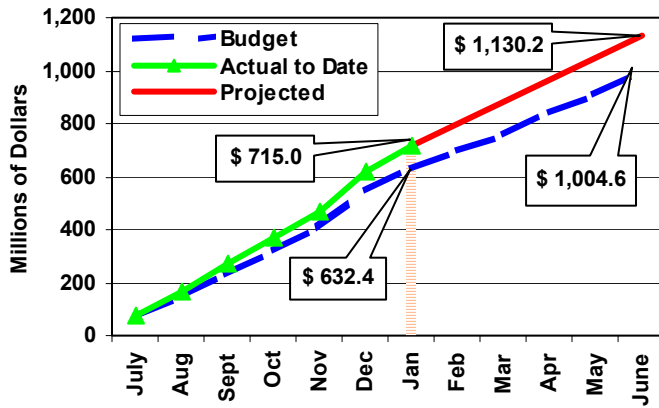


Financial Summary - Cash Basis

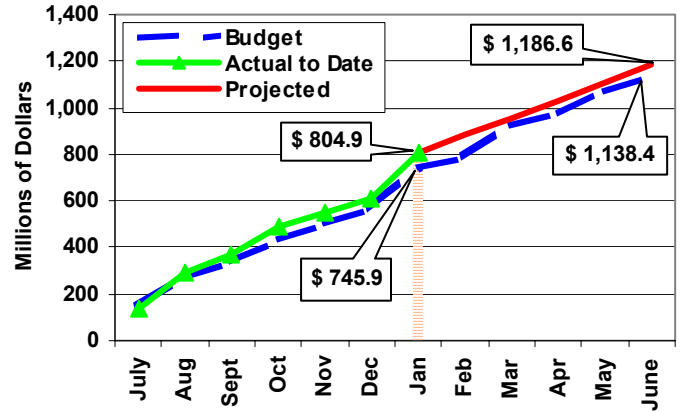
Attachment 2

January 31, 2006

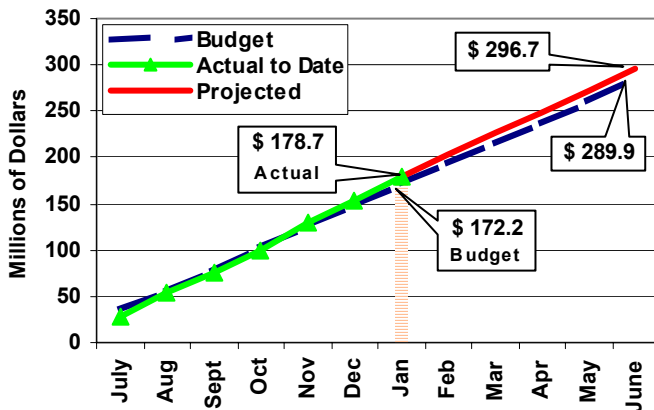
Receipts are expected to be \$126 million over budget by year end due to higher water sales...



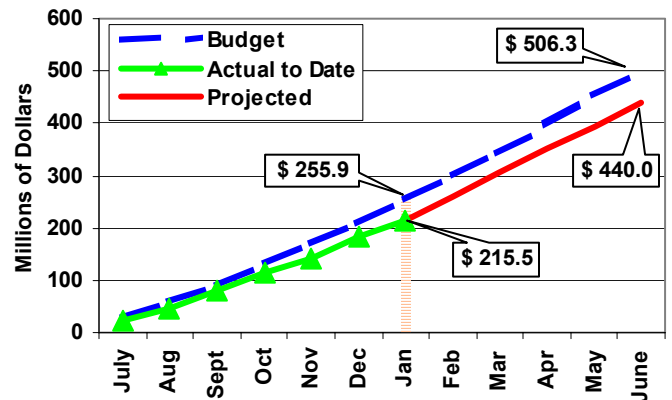
Expenditures are expected to be \$48 million over budget by year end due to SWP power and chemical costs...



O&M expenditures are trending over budget due to chemical costs...

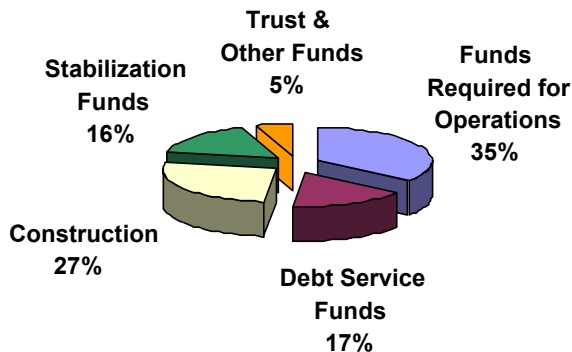


Construction costs are expected to run below budget...



Cash and Investments

\$ 1,174.1 million



Summary Financial Statistics

<u>Revenue Debt Service Coverage</u>	<u>1.91x</u>
<u>Total Debt / Equity Ratio</u>	<u>70.1%</u>
<u>Fixed Charge Coverage Ratio</u>	<u>1.28x</u>

Credit Ratings:

- Moody's	Aa2
- S&P	AA+
- Fitch	AA+